



Agenda Date: 5/16/06  
Agenda Item: IVC

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

IN THE MATTER OF THE PETITION OF ) TELECOMMUNICATIONS  
LEVEL 3 COMMUNICATIONS, LLC FOR )  
APPROVAL TO PARTICIPATE IN CERTAIN ) ORDER  
FINANCING ARRANGEMENTS )  
) DOCKET NO. TF06030245

(SERVICE LIST ATTACHED)

BY THE BOARD:

On March 27, 2006, Level 3 Communication, LLC ("Level 3 LLC" or "Petitioner") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-9 requesting approval to participate in certain financing arrangements whereby Level 3 LLC will provide a guarantee for up to approximately \$400 million in notes that have been issued by Level 3 LLC Financing, Inc. ("Level 3 Financing" or "Issuer") to qualified institutional buyers ("Buyers") (the "Initial Offering"). On April 3, 2006, Level 3 Financing announced that it planned to offer up to an additional \$300 million aggregate in fixed rate notes to Buyers under the same terms and conditions as the fixed notes in the Initial Offering (the "Additional Offering"). Level 3 LLC will also provide a guarantee for the Additional Offering. Petitioner therefore requests that the Board grant authorization to participate as guarantor in both financing arrangements, which in aggregate will total up to \$700 million.

The Initial Offering consists of \$250 million of 12.25% fixed rate notes that are expected to mature in 2013 and \$150 million of floating rate notes that are expected to mature in 2011. The floating rate notes have an interest rate equal to the six month London Interbank Offered Rate, ("LIBOR"), plus 6.375%, which will be reset semi-annually. The Issuer lent the net proceeds it received from the Initial Offering to Level 3 LLC in return for intercompany demand notes issued by Level 3 LLC. The net proceeds of the Initial Offering will be used to replenish the cash that was used in the WiTel Communications Group, LLC acquisition, the cash that will be used in a proposed acquisition, as well as finance the cost of the acquisition of assets to be used in Level 3 LLC's business.

Like the Initial Offering, Level 3 Financing issued a series of senior notes to qualified institutional buyers in an offering that is exempt from registration under the U.S. Federal securities laws. The additional notes issued consist of 12.25% fixed rate interest notes that will mature 2013. In aggregate, the notes in the Additional Offering total \$300 million. The Issuer lent the net proceeds it received from the Additional Offering to Level 3 LLC, in return for an intercompany demand note issued by Level 3 LLC with interest rates that match the notes issued in the Initial and Additional Offerings. Subsequent to Board approval, Level 3 LLC will enter into an

arrangement whereby it will provide a guarantee of the notes issued in the Additional Offering. As a result, Petitioner seeks any required approval of the guarantee agreement. The proceeds have been used to finance various acquisitions (including Progress Telecom which was consummated on March 20, 2006 and ICG Communications, which was just recently announced). The remaining proceeds will be used solely to fund the cost of construction, installation, acquisition, lease, development or improvement of other assets to be used in Level 3 LLC's communications business.

Level 3 LLC is a Delaware limited liability company and is wholly owned subsidiary of Level 3 Financing, Inc., which in turn is a wholly owned subsidiary of Level 3 Communications, Inc. All three companies have principal offices located in Broomfield, Colorado. Level 3 LLC provides high-quality voice and data services to carriers, ISPs, and other business customers over its IP-based network. Level 3 LLC is a non-dominant carrier that is authorized to provide resold and/or facilities-based telecommunications services nationwide pursuant to certification, registration or tariff requirements, or on a deregulated basis. Level 3 LLC is also authorized by the Federal Communications Commission to provide international and domestic interstate services as a non-dominant carrier.

In New Jersey, Level 3 LLC is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services throughout New Jersey pursuant to the Board's Order of Approval, issued on October 20, 1998, in Docket No. TE97120913. As of January 31, 2006, Level 3 had approximately 200 customers in New Jersey, comprised largely of wholesale providers.

Petitioner emphasizes that participation in the financing arrangements as a guarantor will not result in a change in Level 3 LLC's management or in their day-to-day operations in New Jersey; nor will it adversely affect Petitioner's current or proposed operations in New Jersey. This financing transaction will be transparent to consumers and consumers will benefit for the continued receipt of quality telecommunications services that are priced competitively.

The Division of the Ratepayer Advocate has reviewed this matter and, by letter dated April 28, 2006, recommends the Board approve this petition.

The Staff's review indicates that the financing arrangement is in accordance with law and while there is no guarantee, given the competitive environment in which Petitioner operates, the Board is satisfied that the transactions will not have an adverse impact on the Petitioner's operations in New Jersey.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.

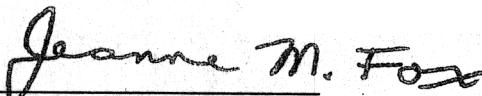
This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five business days, of any material changes in the Initial and Additional Offering, and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default on the terms of the Initial and Additional Offering within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

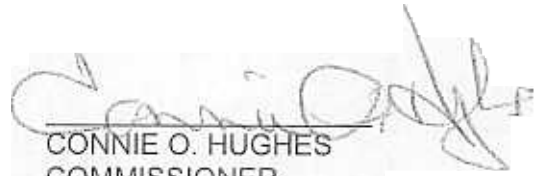
5. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioner.

DATED: 5/16/06

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

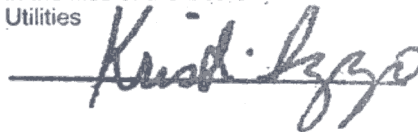
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



## SERVICE LIST

### In the Matter of the Petition of Level 3 Communications, LLC for Approval to Participate in Certain Financing Arrangements

Docket No. TF06030245

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**BOARD OF PUBLIC UTILITIES  
OFFICE OF THE ECONOMIST**

**FINANCING FACT SHEET**

**DOCKET NO. TF06030245**

**PETITIONER:** Level 3 Communications, LLC

**TYPE OF SECURITY:** Senior notes to qualified institutional buyers in an offering that is exempt from registration under the U.S. Federal securities laws

**AMOUNT:** Up to \$700 million

**MATURITY:** \$150 million expected to mature in 2011  
\$550 million expected to mature in 2013

**INTEREST RATE:** \$150 million: Floating rate notes with interest rate equal to the six month LIBOR plus 6.375%, reset semi-annually.  
  
\$550 million: 12.25% fixed rate notes

**USE OF PROCEEDS:** The proceeds have been used to finance various acquisitions, including the WilTel Communications Group, LLC acquisition, the Progress Telecom acquisition, and the ICG Communications acquisition. The remaining proceeds will be used to fund the cost of construction, installation, acquisition, lease, development or improvement of other assets to be used in Level 3 LLC's communications business.

**NJ PRESENCE:** Level 3 has approximately 200 customers in New Jersey, comprised largely of wholesale providers. The Petitioner's annual NJ revenue is \$10,107,702.

**PETITIONER'S TEAM**

**COUNSEL:** Colleen A. Foley, Esq

**BPU STAFF**

**ECONOMIST OFFICE:** Michael Tavani, Robert Wojciak

**D A G:** Ken Sheehan

**AGENDA DATE:** 5/16/06

**PREPARED BY:** Michael Tavani

**REVIEWED BY:** Mark C. Beyer